

Budget State of Play

Washington D.C. -

Chairman Ryan will be releasing the FY13 GOP Budget at 10:30 a.m. this morning and it will not come without controversy. The primary point of contention will be the top line number itself, which is expected to be \$1.028 trillion, or \$19 billion less than the discretionary cap set in the debt ceiling law. Ryan and House Republicans will argue that the cap set in the debt ceiling law was an upper ceiling and not a floor, while Senate Democrats are already crying foul and have sent over a letter complaining about how a lower top line will make conferencing appropriations bills so much harder.

While the budget will appear similar to last year's version, it does include important alterations. Sequestration, as required by last year's debt ceiling law, will be nullified by reconciliation instructions to authorizing committees, requiring that they find additional savings by the end of April. Another difference from the FY12 House GOP Budget is that this year's budget will likely allow seniors to choose between traditional Medicare and a subsidy from the government to purchase a private plan, a concession Ryan made when he crafted a new Medicare plan with Sen. Ron Wyden, in December. The cost-growth formula will also be more generous this year than it was last year, pegging costs to 1 percent over gross domestic product plus inflation, rather than to the growth of the urban consumer price index.

The budget is expected to include a tax reform proposal very similar to last year's which reduces both individual and corporate rates, while removing many deductions. This version however might be slightly more detailed, including the call for two tax brackets- 10% and 25%- for individuals, the inclusion of a territorial corporate system, where companies would only pay tax on income earned in the U.S. and an explicit call for the repeal of the AMT. The budget will be marked up in committee on Wednesday morning and could see a floor vote already next week.